

CA2  $\phi$ N  
ED 21  
-71571

Government  
Publications

Government  
Publications

# China



3 1761 11893591 5



FOREIGN MARKET DEVELOPMENT SECTION  
RESEARCH BRANCH

TRADE AND INDUSTRY DIVISION

ONTARIO DEPARTMENT OF TRADE AND DEVELOPMENT



FMD-1-71

Ontario, Trade and development dept

Foreign market study

STUDY ON

CHINA

Prepared By:

YCP  
January 1971


Foreign Market Development Section  
Research Branch  
Trade and Industry Division





## CONTENTS

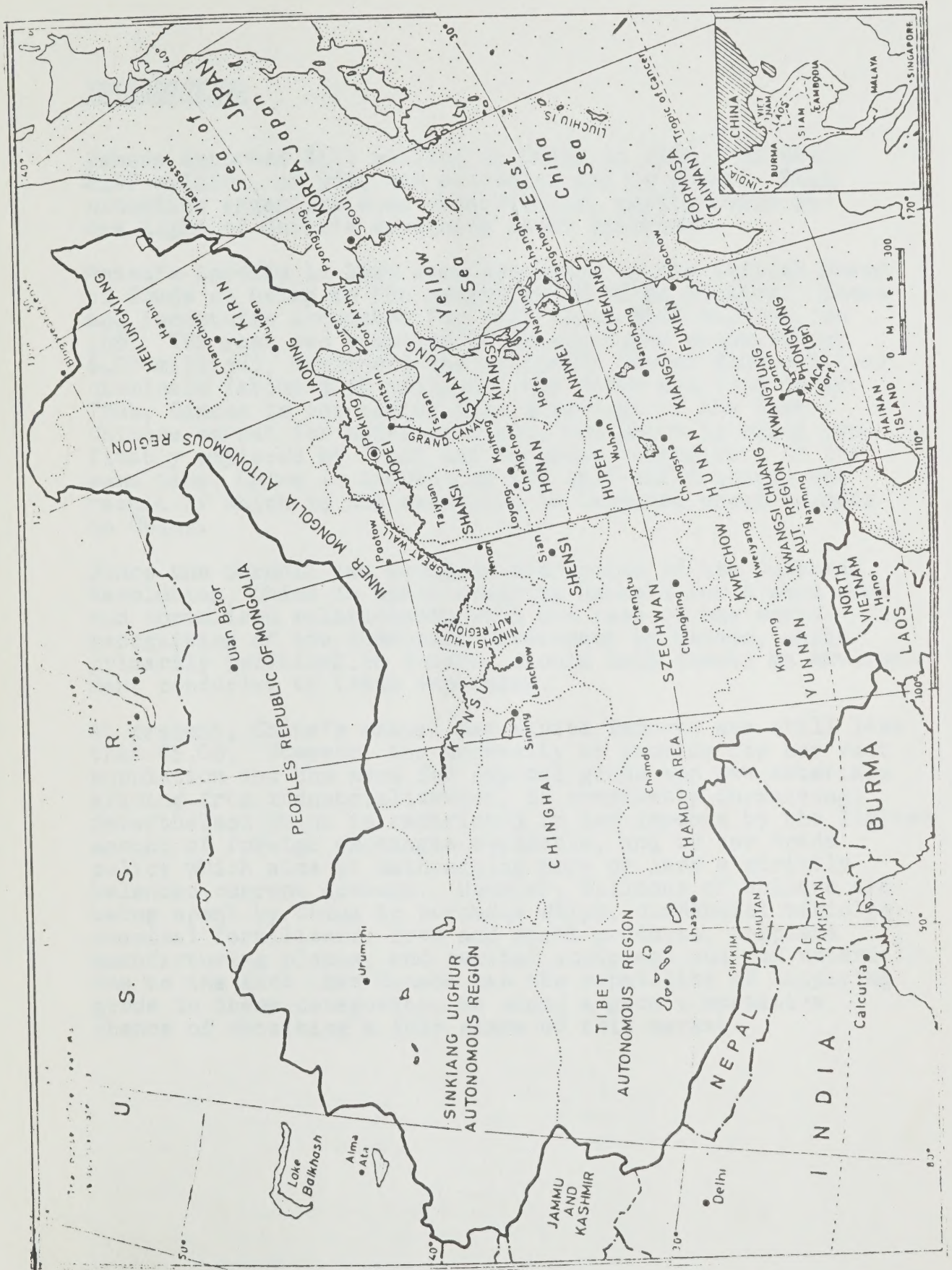
	<u>Page</u>
MAP OF CHINA	1
INTRODUCTION	2
GENERAL INFORMATION	3
1. Geography and Climate	3
2. Human Resources	3
3. Government	4
STRUCTURE OF THE ECONOMY	5
1. General	5
2. Agriculture, Forestry and fishing	6
3. Industry	8
4. Mining	14
5. Finance, Banking and Investment	16
6. Utilities	16
FOREIGN TRADE	18
1. Structure of Forest Trade	18
2. Analysis of China's Imports	18
3. Analysis of China's Exports	19
4. Canadian Trade with China	19
CHINESE ECONOMIC AND TRADE POLICY	22
1. Economic Plans	22
2. Trade Policies	22
3. Trade Organization	23
Appendix A - China's Foreign Trade Corporations	26
Appendix B - Chinese Imports	27
Appendix C - Chinese Exports	28
Appendix D - How to Sell in Mainland China	29



Digitized by the Internet Archive  
in 2024 with funding from  
University of Toronto

<https://archive.org/details/31761118935915>









## INTRODUCTION

Canada exported \$122 million to China in 1969. Of this, \$117 million, or 96%, was accounted for by wheat. This situation engenders some observations, particularly in the light of China's declining wheat purchases.

China's imports in 1969 were estimated by the British Board of Trade as being in the neighborhood of \$2 billion. Wheat and foodstuffs accounted for only about \$300 million, or 16%. The rest was composed of manufactured goods, (about \$400 million), machinery and equipment (about \$100 million), chemicals (about \$250 million), and other non-food items. Thus, Canada is not taking full advantage of the vast Chinese market for non-food items, but which is being profitably explored by Japan and European countries. At the same time, China is increasing its self-sufficiency, one result of which is the reduction in Canadian wheat exports to China.

Since the turmoil and economic disruption of the Cultural Revolution, China is again readying herself for a more open and normalized relationship with the rest of the world. The recognition of the Communist Government by Canada, while primarily political in intent, should help create an environment conducive to trade expansion.

At present, China's annual per capita imports are still less than \$5.00. However, the necessity to provide for her vast population and the need for capital goods and raw materials arising from industrialization, is constantly increasing; nevertheless China is restricted in her imports by the limited amount of foreign exchanges available, and by her trade policy which aims at maintaining more or less a strictly balanced current account. However, billions of dollars are being spent by China to purchase ships, commercial vehicles, chemical fertilizers, iron and steel products, complete manufacturing plants, and capital equipment and raw materials. Due to the fact that Canada has the capability of supplying goods in these categories, we stand a good competitive chance of obtaining a fair share of this market.



## GENERAL INFORMATION

### 1. Geography and Climate

China is the third largest country in the world, after the U.S.S.R. and Canada. Her 3.7 million square miles stretch 3,000 miles east-west, from the Pacific Ocean to Central Asia, and 3,400 miles north-south, from Siberia to the tropical zone.

The general topographical features are: higher elevation in the west, sloping gradually downwards to the east. The three major river systems all flow from west to east. They are:

North China: the Yellow River (Huang-ho),	3,000 miles
Central China: the Yangtze River,	3,500 miles
South China: the Western River (Pearl River),	1,650 miles

The meteorological pattern of China is influenced by two predominant elements: the extremely cold and dry air mass, originating in the Siberian Steppe and flowing southwards, and the hot and humid monsoons from the south Pacific Ocean coming westwards. As a consequence, while the south-eastern quarter of China receives over 60 inches of rainfall in a year (mostly in summer), the north-western China gets less than 10 inches, resulting in the formation of thousands of square miles of desert.

### 2. Human Resources

The Chinese population has never been accurately enumerated. The latest estimate is 746 million. The population increase is estimated at 2% per year, while the government aims at reducing it to 1% per year by 1975.

While the overall population density is about 200 persons per square mile (vs. 940 in Netherlands, 620 in Britain, and 320 in India), the problem lies in its regional distribution. While the northwest is virtually unpopulated, the eastern region has an average density of 400 persons per square mile, with the density reaching 1,400 per sq. mile in the province of Kiangsu.

Labor mobility had been negligible until 1949. But the new government is striving to push the population westwards by opening up new transport routes, improving living conditions in the west, and exhorting the young people to go west. Most (80%) of the population is in rural areas, and the government intends to keep it that way: even in its industrialization plans, the emphasis is on "self reliance" and "cooperation" among decentralized communes and production units. This is partly the result of the conviction that this is necessary to ensure Chinese survival in the event of war.







About 95% of China's population consists of the Han people, the mainstay of the Chinese race. Some 45 million are non-Chinese; e.g. Mongols, Tibetans, Uighuls etc., living in the less populated west and north-west regions. The official language is the Peking dialect (Mandarin), which is by now universal in China through official policy in education and training, though the innumerable dialects in China are still preserved and encouraged.

In 1968, there were approximately 100 million pupils in elementary schools, 13 million in secondary schools, 1.5 million in post secondary schools, and 2.6/2.8 million primary school teachers. The emphasis on ideology, in preference to knowledge and expertise, is still paramount, but technical and other forms of education are once again systematically taught.

### 3. Government

China is a socialist republic. According to its new constitution, Mao Tsetung is designated as the Head of State, and his heir-apparent, Lin Piao, is titled as the deputy head of state. The Chinese Communist Party has held unchallenged power in all political decision-making since 1949, and Chairman, Mao Tsetung, has been the most powerful - and revered - figure, leading the country and the government.

The country is divided into 21 provinces, 5 autonomous regions, and 3 metropolitan administrative authorities (Peking, Shanghai and Tientsin). Local jurisdictions are further divided into some 2,000 counties and 75,000 townships.

The Constitution provides for a National People's Council, with 3,000 representatives elected every 4 years by universal suffrage. The Council elects the Chairman and Vice Chairman of the Republic, and approves the appointments of the Premier and the members of the State Council (the Cabinet).

There are over forty ministries in the State Council, but key decisions are made by the inner Cabinet, composed of the Premier and about a dozen Vice Premiers. The Premier of China is Mr. Chou Enlai.



## STRUCTURE OF THE ECONOMY

### 1. General

China's economy has been mainly agricultural throughout her long history, and this is true today. In fact, failure to recognize the reality that industrial development cannot be achieved if agricultural production is not improved, contributed to the disastrous economic failure of the "Great Leap Forward" of 1958. Agriculture accounts for 50% of national revenue, 70% of China's export revenue, 80% of the working population, and supplies 40% of industrial raw materials.

The actual data on China's economic activities in 1970 are still unknown. The Chinese authorities have withheld economic statistics for the last decade, leaving the analysts who assess the Chinese economy, little else than estimates, imputations and projections from previously available data, and the collation of piecemeal information which has been gleaned from various Chinese newspapers, radio reports, and trade figures from countries trading with China. Even stories told by refugees are carefully scrutinized, in order to obtain whatever information is valuable and relevant. China's GNP is estimated at around \$85 billion in 1970.

The rate of industrial growth between 1949 and 1960 was 50% faster than that of Japan, and 3.5 times as fast as that of India. This impressive performance was achieved with relatively little from other countries, including the Soviet Union. The \$2,637 million loan received from the Soviet Union amounted to less than \$4 per capita. It was fully repaid, with interest by 1964. About 27% of this loan was used to finance the Korean War. Further, this loan was largely offset by the economic assistance China had given to other countries during 1953-64, which amounted to \$2,262 million, 60% of which was in the form of outright grants, compared to the interest-bearing loans China received from Russia.

In 1960, China's industrial production declined to its 1955 level, largely as a result of the 1958 "Great Leap Forward", coupled with poor harvests from 1959 to 1961. After 1962, as the crop harvests steadily improved, the economy gradually recovered, and after 1963, it entered a period of moderate growth. The Cultural Revolution of 1966-68 and the economic disruption which followed, resulted in a serious setback, and the situation could have been worse than the disastrous Great Leap Forward, had it not been somewhat ameliorated by unusually good crops.

1970 has seen China in relative tranquility, expressed by the emphasis on improved productivity and China's willingness to restore her foreign relations. This trend is expected to continue, and should provide better trade opportunities in the future.





The Chinese GNP breakdown (broadly) is shown below. Data on intervening years between 1964 and 1969 are not available.

DOMESTIC PRODUCT AND EXPENDITURE, 1952-70  
('000 million yuan of 1952)

	1952 (Est.)	1957 (Est.)	1958 (Est.)	1965 (Est.)	1970 (Forecast)
<i>Gross Domestic Product:</i>					
Agriculture . . . . .	33.5	40.0	45.0	40.0	45.0
Industry, Mining, Construction, Handicraft . . . . .	19.0	30.0	40.0	45.0	65.0
Trade, Public Utilities . . . . .	22.5	30.0	35.0	45.0	60.0
TOTAL . . . . .	75.0	100.0	120.0	130.0	170.0
<i>Gross Domestic Expenditure:</i>					
Personal Consumption . . . . .	52.5	65.0	65.0	78.0	100.0
Government Consumption, Communal Services (Communes) . . . . .	7.5	10.0	25.0	19.5	25.0
Domestic Gross Investment . . . . .	15.0	25.0	30.0	32.5	45.0
TOTAL . . . . .	75.0	100.0	120.0	130.0	170.0

Source: Europe Yearbook

## 2. Agriculture, Forestry and Fishing

### Agriculture

Throughout her long history, China has been an agricultural society. Today, peasants account for 80% of the Chinese population, and agriculture is responsible for 70% of exports, 50% of national revenue, and 40% of industrial raw materials. Consequently, the performance of the agricultural sector is of vital importance to the Chinese economy as a whole. Crop failures have caused dynastic crises in the past, and the Great Leap Forward and its consequent economic disruptions were a major disaster due in part to the fact that it coincided with crop failures.

Arable land is extremely scarce, in proportion to China's population: China has only 8% of the world's cultivated land, but she supports almost 25% of the total world population.

However, China manages to be largely self-sufficient: wheat purchased from Canada and other countries of the world, regarded as a major trade item in Canada, accounts in fact for only 3% of China's annual consumption of cereals.

In the past, agricultural productivity was very low because of the lack of capital to purchase fertilizers, to finance irrigation, to obtain agricultural machinery and above all the smallness of the individual farms, which renders the use of machines uneconomic. As a result, starvation in poor-crop years was prevalent. However, since the communist takeover in 1949, no signs of starvation have been observed by Western analysts. While the total farm land has not increased significantly, China apparently succeeded in



increasing her agricultural output to feed a greatly increased population: 746 million in 1969 compared to the official estimate of 457 million in 1936. Apart from grain imports which filled only 3% of national requirements, the consolidation of fragmented farm lands, first through agricultural cooperatives and then through production teams and communes, was chiefly responsible for this improvement. Though stimulating certain inevitable resentment and resistance, this consolidation process led to the creation of more optimized farm units, which enabled division of labor, more economic uses of fertilizers, utilization of mechanical farming methods, and larger irrigation schemes.

China reported record grain harvests in 1966 and 1967, and bumper crops in 1968. Though no production figures are provided, specialists estimate China's grain crops at between 185/190 million tons. For 1970, the official report described the 1970 harvests in grain, cotton and other crops as surpassing those of 1967 and 1968.

Recognizing that agriculture is the foundation of its economy, Chinese leaders have decided to increase capital investments in agriculture, as well as initiating industries that will support the activities in the agricultural sector. This scheme calls for the creation of industries in the countryside to serve the needs of rural communities and to make them as self-sufficient as possible. In 1970, a new drive to improve methods of cultivation is being carried out, in which the importance of using improved seeds, ensuring adequate supplies of fertilizers and water, and of eradicating pests and plant diseases, is repeatedly emphasized. Double-cropping of paddy fields, diversification of crops, and new, improved methods of planting, are being popularized.

The effort to expand China's cultivable land area has been hampered in 1970 by the shortage in manpower, which has been largely employed in irrigation projects, rural factories, and the terracing of hillsides. To make labor available for land-opening, greater mechanization is being advocated: some 70% of China's rice transplanting is reported to be mechanized.

China's grain production between 1961 and 1967, estimated by E.F. Jones, is shown below:

	<u>Million Tons</u>
1961	162
1962	174
1963	183
1964	200
1965	200
1966	205
1967	230





In her drive to improve agricultural productivity, China can be expected to require large quantities of machinery and equipment as well as chemical fertilizers. Fertilizer is one of China's major imports. Since 1966, imports of ammonium sulphate and urea from Japan alone, have risen from 1.5 million tons to 3.7 million tons in 1969. In the early 1970s, Peking is expected to import 4.7 million tons annually, if it can negotiate a lower price. In order to lower the price, Peking is encouraging competition among exporters, such as West Germany. Canada should stand a fair chance to enter this market.

### Forestry

The chief forest areas are Heilunchiang (in Manchuria), Szechwan and Yunnan Provinces. Reforestation as a concept, involving the ecological as well as soil-preservation consideration, existed for a long time in China. But the political turmoil and economy instability rendered reforestation out of the question, as it involves decades and even quartercenturies to complete. War, burning and indiscriminate cutting coupled with long neglect, left most of China's forests denuded, filled with poor vegetation, or decaying into deserts. Aggressive reforestation projects were launched (in 1957, for example, 3.96 million hectares were afforested), but China is still very far from being self-sufficient in its timber requirements on a sustained yield basis. Major suppliers of timber imports are Russia and North Korea.

### Fisheries

China's fish catches are among the largest in the world: in 1966, they were estimated to be second only to Japan's, though no accurate figure is available.

## 3. Industry

The Chinese economy has been traditionally agricultural. Hampered by concessions to foreign powers (which stipulated that tariffs cannot be imposed without the consent of the foreign powers), civil wars, invasion by Japan, and the deep-rooted conservatism of its landed aristocracy, China's industries, mostly textiles, tobacco, handicraft and other light industries, have been slow in developing. When the Chinese Communist Party restored peace in China in 1949, most of China's industry was in ruins.

After a 3 year rehabilitation period from 1949 to 1952, China inaugurated her first 5-year plan (1953-1957) to step



up economic growth by according heavy industries the greatest emphasis. As a result, China's industrial production expanded at an annual average of 14%. Using 1956 as the base year (100), China's industrial production rose from 27.2 in 1949 to 181.6 in 1959.

The Great Leap Forward, of 1958-59, and hasty programs for decentralizing China's industries, caused sharp setbacks in economic activities by creating vast amounts of unusable products and materials. The recovery since 1963 has been steady, but the pace is no longer as rapid as it was in the 1950s. The waste of unrealistic product-mix and unusable goods was corrected, but the concept of decentralization remained firmly entrenched in the philosophy of the Chinese planning authorities. This is partly ideological and partly economic. China is ideologically committed to "self reliance" and "self sufficiency". The leaders are convinced that, in the event of a war the best way to ensure the survival of the nation, is through the existence of numerous self supporting economic communities. Economically, it was argued that reduction of transport costs and of the need to spend so much on improved transport facilities. The People's Daily argued in August, 1970, that small enterprises required much less investment in infrastructure facilities and were quicker and cheaper to build.

At the height of the economic disruptions and chaos created by the Cultural Revolution, in 1968, Premier Chou En-lai announced that the economic costs of this upheaval were calculated in advance, and are well within the acceptable range. He added that once the excitement had died down, there would be no difficulty in expanding production again.

The economic performance of 1970 has been so remarkable that Premier Chou's statements seem to have been based on actual calculation rather than propaganda designed to boost morale. China's success in mobilizing manpower and resources for new expansion seems to be the result of carefully contrived long-term strategy. First, the authority was confident in its ability to restore order from the chaos of civil war or near civil war, as it experienced during 1949-1950, when it seized power after almost 25 years of foreign invasion and civil war. Secondly, one key sector, the finance banking, was left intact. Consequently, the central government never lost control, (except briefly in early 1967), of the cash flow. Further, the "down to the countryside" movement in 1966 to send educated intellectuals to factories and farms helped the modernization of rural life. The "Workers Congress" was formed as early as 1966 to teach workers the technique of management, and in 1968 when the workers took control, they already had two years of experience in management. Finally, the timing of the new economic thrust contributed to the success in 1970. Eight years of good harvests resulted in large reserves of food in communal granaries, and the





pre-1966 concern with profit-making had resulted in large deposits of reserve funds.

The actual output of China's industrial sector in 1970 is unknown. However, from all preliminary indications, substantial gains were made in areas of economic activities for which some publication of statistics was available. For example, Peking completed 53% of all its planned production; the Nanchang Iron and Steel Works in Kiangshi produced 200/600% more rolled steel and pig iron compared to its 1969 output; the Taiyuan Iron and Steel Company's production in the period January to August 1970 was 56% over its 1969 total; Kiangsu Province completed its production target 46 days ahead of the half-year schedule, etc. The lack of actual figures are especially aggravating for those who want to determine market potentials in China: most figures are percentages, and are therefore subject to the well-founded suspicion (as was found to be the case in 1958) of doctored or unrealistic compilation.

### *Estimated Production of Major Industrial Commodities*

1957-1968

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Electric power (Billion kilowatt-hours)	19	28	42	47	31	30	33	36	42 <sup>a</sup>	47	39	42
Coal (Million metric tons)	131	230	290	270 <sup>a</sup>	180	180	190	200	220 <sup>a</sup>	240	190	210
Crude oil (Million metric tons)	1.5	2.3	3.7	4.5	4.5	5.3	5.9	7.0	8.0	10	10	11
Crude steel (Million metric tons)	5.4	8.0	10 <sup>a</sup>	13 <sup>a</sup>	8.0 <sup>a</sup>	8.0	9.0	10	11	12	10	12
Chemical fertilizer (Million metric tons)	0.8	1.4	2.0	2.5	1.4	2.1	3.0	3.6	4.6	5.5	4.0	4.8
Cement <sup>b</sup> (Million metric tons)	6.9	9.3	11 <sup>a</sup>	9.0 <sup>a</sup>	6.0	6.0	7.5 <sup>a</sup>	8.5 <sup>a</sup>	11 <sup>a</sup>	12	10	11
Timber (Million cubic metres)	28	35	41	33	27	29	32	34	36	38	34	36
Paper (Million metric tons)	1.2	1.6	1.7 <sup>a</sup>	1.7 <sup>a</sup>	1.0	1.0	1.1	1.5	1.7 <sup>a</sup>	1.8	1.7	1.7
Cotton cloth (Billion linear metres)	5.0	5.7	7.5	6.0	3.0	3.0	3.5 <sup>a</sup>	4.0 <sup>a</sup>	5.0 <sup>a</sup>	5.5	4.5	5.0
Sugar (Million metric tons)	0.9	0.9	1.1	0.9	0.7	0.5	0.5	1.1	1.5	1.6	1.7	1.8

<sup>a</sup> Revised estimate.

<sup>b</sup> Large-scale plants only.

### A. Iron and Steel

The estimated production, in 1968, was 15 million tons for pig iron and 12 million tons for crude steel. Although many iron and steel products, including stainless steel, are produced domestically, the need for imported iron and steel products is great. The largest iron and steel plants are in Anshan (Manchuria) and Wuhan (Central China).



The drive to increase the nation's output of iron and steel products is reportedly yielding impressive results. The Nanchang Iron and Steel works in Kiangsi Province raised its output of rolled steel, pig iron and steel ingots by 200% to 300% over 1969 figures. In Wuhan, the second largest iron and steel production centre, a fourth blast furnace was completed during the summer of 1970. Shensi Province obtained its first pure oxygen top-blown converter in July. Much of China's expansion of iron and steel facilities in 1970 was modelled on the Great Leap era, though much moderation was shown by the planning authorities. Small plants, closed after the Leap, were reopened in 1970, and local mineral deposits, neglected since the Leap were being exploited again. Also, there is a campaign to recover scrap metal. On the whole, iron and steel production probably rose satisfactorily. It is believed that the special heat resistant steel for medium range missiles is produced domestically.

#### B. Non-ferrous Metals

China's mineral deposits are abundant. Significant increases are reported in the output of copper, nickel, tungsten, and aluminum. Still, large amounts of nickel and copper must be imported. Copper smelting facilities are being expanded and modernized with machines imported from Japan.

#### C. Chemicals

In the last 10 years, China invested over \$200 million in her synthetic fibre industry, including the purchase of plants from East Germany, U.K. and Japan. The products include polyethylene fibre, nylon 10-10, glass fibre, reinforced plastic, PVC fibre, acrilonitrite, and viscose fibre. China's vital chemical complex at Lanchow, Kansu Province, claimed to have discovered new oil deposits, providing new sources of raw materials for petrochemicals.

The first half of 1970 saw China increase her chemical fertilizer at a record pace. In addition to the three 100,000 ton plants, purchased from Italy, the Netherlands and U.K., the authority gives the credit for this rapid growth to the improved efficiency of smaller plants, which account for 40% of total production, as compared with only 12% in the past.

China's dye industry is also reported to be undergoing significant technical improvements, though no specific details have been made public.

In the field of basic chemicals, China's remarkable growth has enabled her to export caustic soda, soda ash, nitric acid,





acetic acid, zinc oxide, sodium carbonate, and calcium carbide.

#### D. Machinery Industry

China has been a large importer of machinery and equipment. Under successive economic plans, huge investments have been made to develop the machine industry. The Chinese Government regards steelmaking and machine making as the two pillars of industrialization, which would in turn be the foundation for the modernization of agriculture and the strengthening of national defense.

However, imports of machinery and equipment are still substantial, though declining. On the other hand, China's exports of machinery and equipment are increasing rapidly. In 1968, China exported over 100 different types of machines to eighteen countries, including European countries. Her exports to Hong Kong are competitive with the products of Japan and Western European countries. China's lathes are unchallenged in the Hong Kong market. Although the complete list of products is not available, China's engineering capabilities can be gauged by the existence of domestically manufactured items. These include:

- A 12,000-ton hydraulic press
- A 200,000 X electronic microscope
- Digital and analog electronic computers
- Numerically controlled lathes
- Laser drilling machines
- 70,000 kw turbine generators
- An electrostatic accelerator of several million volts
- 8,800 diesel engines for boats
- 220,000-volt transformers
- Ultrasonic spot welders

Limited numbers and types of jet aircraft, helicopters, trucks and ships are domestically produced. China's expanding domestic air routes seem particularly well suited for Canada's short take-off and landing aircraft, and a market of considerable size may be cultivated in this field. China is displaying considerable capability in building complete plants for the manufacturing of chemical fertilizers, synthetic fibres, petrochemicals etc., but plant imports still run in the hundreds of millions of dollars per year. In this field, Canada should also be able to obtain a fair share, especially in forest-based products, smelting, fertilizer manufacturing, and others, where Canada's engineering excellence is up to world standards.

#### E. Electronics

The electronics industry has received renewed attention. It is not clear why the authorities are pressing forward



with such schemes as the development of electronics production in both modernized and primitive, make-shift factories. The authorities appear to be anxious to create self-sufficient electronics industries in as many districts as possible. Accordingly, local development of mono-crystal furnaces in such unlikely places as a textile machinery plant was carried out. Electronics is viewed as vital to the modernization of the metallurgical, the machine building, the chemical and textile industries, not to mention the very important role it plays in China's space industry. Much of the electronic manufacturing reported in 1970 appeared to be below the standards prevailing in such countries as Japan, Western Germany and the U.S. The official attitude towards improvement of such standards is that of self development rather than the import of technical know-how.

#### F. Transport Equipment

By mid 1970, virtually every province in China was producing vehicles of one kind or another. Since economies of scale is especially significant in this industry, Peking's failure to prevent the proliferation of small plants is probably very costly.

Shipbuilding was announced as an industry which is to receive new emphasis, in order to conserve foreign exchange and at the same time, build a navy. Peking claimed that in 1970, its progress in shipbuilding surpassed that of the previous two decades. Now, 10,000-15,000 ton vessels are being produced in the country's shipyards. Japanese sources estimated that nine vessels of this tonnage were launched between 1967 and 1970. Inland shipping also developed from ordinary repair and maintenance to the construction of complete vessels.

Railway vehicles are also being produced domestically. In February 1970, China announced it had made its first gas turbine locomotive, especially designed to operate in high altitudes and in desert and cold regions short of water supplies. The railway wheels and parts plant in Peking claimed it had completed 84% of its 1970 target by the end of July in that year. The plant operated by the ministry of railways in Wuhan published the news of the production of China's first track-laying and bridging machine in June. The machine is described as being almost fully automatic.

#### G. Others

Consumer goods and farm equipment production were also decentralized, making it difficult to obtain a nationwide picture. Textiles, simple pumps, and others that are suitable for small scale production, are also reported to have gained rapidly.





#### 4. Mining

China is relatively richly endowed with minerals to enable self sufficiency in many minerals. Vigorous mining activities since 1949 have made China one of the world's significant producers in a number of key minerals, and the future is promising.

China is the world's largest producer of tungsten and antimony, second largest of tin and salt, third largest of magnesite; fourth in iron ore and mercury, fifth in asbestos and molybdenum and sixth in manganese.

Coal is described as one of China's two great harvests, together with grain. It supplies 90% of domestic consumption and its output reached 240 million tons in 1966, though a sharp drop was recorded during the Cultural Revolution. China ranks second in the world production of anthracite, third in bituminous coal and fifth in coke.

Successful exploration and refining efforts in petroleum fuels have led to self sufficiency in petroleum and its products. Though no figure of output has been issued, Hsin-hua, the official Peking newspaper, announced that China's petroleum production has "already increased several times over that of 1965". The estimated petroleum output of 1965 was about 10 million tons. China's petroleum output, therefore is still very small compared to, for example, the U.S., which produced 453 million tons in 1968. Still, compared to the large amount of imports in oil before the Second World War, this is a marked improvement. Potassium, badly needed as the raw material for China's fertilizer, is now being explored in Tsinghai Province, where, it is believed, there is a multi-billion ton carnallite deposit.

The shortage of heavy mining equipment is a major problem. The degree of self sufficiency is increasing: such equipment as highly automated deep well drillers with 3,000 hp diesel engines can now be manufactured domestically. Still, the need for imports of efficient machinery and equipment is on the rise, and this trend is likely to continue for some time. The Chinese had expressed interest in the purchase of construction equipment from Canada. It should be profitable to both China and Canada to have regular contacts in these fields, so that China's needs and Canada's capabilities to meet them, would be better matched.



COMMODITIES	UNIT	1952 (Actual)	1957 (Actual)	1959 (Claim)	1964 (Est.)	1966 (Est.)
Coal . . . . .	million tons	66.5	130.7	347.8	220.0	250.0
Iron Ore . . . . .	" "	4.3	19.4	71.0	30.0	35.0
Manganese Ore . . . . .	" "	0.2	0.5	1.3	0.7	0.9
Aluminium . . . . .	'000 tons	—	40	70	100	125
Antimony . . . . .	" "	10	20	50	20	20
Copper . . . . .	" "	10	15	60	40	45
Lead . . . . .	" "	5	28	70	50	55
Tin . . . . .	" "	15	26	31	25	30
Tungsten . . . . .	" "	15	29	32	15	15
Zinc . . . . .	" "	5	20	50	30	35
Salt . . . . .	million tons	4.9	8.3	11.0	12.0	13.0
Crude Oil . . . . .	" "	0.4	1.5	3.7	7.0	10.0

Source: Europa Yearbook 1970

### World significance of selected Chinese minerals .

Commodity	Approximate rank in world output	Share of estimated world output (percent)	Adequacy in production	Reserves or resources
<b>Metals:</b>				
Aluminum.....	9	2.0	Virtually adequate.....	Considerable.
Antimony.....	1	24.0	Large surplus.....	World's largest.
Bismuth.....	8	7.0	do.....	1st rank.
Chromite.....	(*)	(*)	Greatly deficient.....	Unimportant.
Copper.....	10	2.0	Deficient.....	Moderate.
Gold.....	(*)	(*)	Can use more.....	Do.
Iron ore.....	4	6.0	Adequate.....	1st rank.
Iron, pig.....	5	6.0	do.....	Not applicable.
Iron, steel ingot.....	7	3.0	do.....	Do.
Lead.....	9	4.0	Slight surplus.....	Moderate.
Manganese ore.....	6	6.0	Surplus.....	Considerable.
Mercury.....	4	9.0	Large surplus.....	1st rank.
Molybdenum.....	8	3.0	Sizable surplus.....	Do.
Nickel.....	(*)	(*)	Greatly deficient.....	Unimportant.
Tin.....	2	13.0	Large surplus.....	1st rank.
Tungsten concentrate.....	1	30.0	do.....	World's largest.
Zinc.....	11	3.0	Slight surplus.....	Moderate.
<b>Nonmetals:</b>				
Asbestos.....	8	4.0	Moderate surplus.....	Considerable.
Barite.....	8	3.0	Slight surplus.....	Do.
Cement.....	8	3.0	do.....	Extensive raw materials..
Fluorspar.....	8	3.0	Sizable surplus.....	Considerable.
Graphite.....	8	7.0	Adequate.....	Moderate.
Gypsum.....	13	1.0	do.....	Considerable.
Magnesite.....	8	11.0	Surplus.....	1st rank.
Phosphate rock.....	7	1.0	Seriously deficient.....	Considerable.
Pyrite.....	8	6.0	Can use more.....	Do.
Salt.....	2	13.0	Slight surplus.....	1st rank.
Sulfur.....	8	2.0	Surplus.....	Moderate.
Talc.....	8	4.0	do.....	Do.
<b>Mineral fuels:</b>				
Anthracite.....	2	12.0	Adequate.....	1st rank.
Bituminous coal.....	3	15.0	do.....	Do.
Coke.....	8	6.0	do.....	Do.
Petroleum, crude.....	17	.8	Nearly self-sufficient..	Moderate.
Petroleum, refined.....	(*)	.8	Deficient.....	Not applicable.

\* Chinese production estimated by author generally as an order of magnitude rather than as a definitive quantity. Consequently, the determinations of world rank and of share of world output can be greatly regarded only as approximations. Moreover these determinations may also be inexact because of incomplete or erroneous reporting of the output of other countries.

\* Insignificant.

\* Very small.

\* Not among the 1st 20.

\* Small.

Source: "An Economic Profile of Mainland China" p. 170





## 5. Finance, Banking, and Investment

The unit of currency is the yuan, which is divided into 10 chiao, and the chiao into 10 fen. All banks are nationalized, and loans are given both by banks and communal cooperatives. There is no foreign-owned private enterprise in China. Foreign trade is conducted through 12 National Import and Export Corporations.

## 6. Utilities

### A. Energy

Coal provides 90% of China's fuel requirements. At its peak in 1966, coal production was 250 million tons, and the 1970 production is reported to be at the level of 1966 again, after a sharp drop in 1967-1968.

Electricity production showed a massive breakthrough in 1970, due largely to the biggest investment during the winter of 1969 and early 1970 in water control projects ever undertaken by China. The rural areas built hydroelectric power stations on a vast scale. Overall figures are not available, but Peking put the increased generating capacity of rural areas during this period at twice that installed in the previous two decades (the installed capacity in 1965 was 13.5 million kw, and the 1965 production of electricity was 40 billion kwh).

### B. Transportation

At the end of the civil war in 1949, only half of the total track of 12,000 miles was in operation. During the next 8 years, the new government laid 4,670 miles of new railways, restored 1,700 miles of war-damaged tracks and double-lined 1,140 miles on the mainline system. The capacity of the rail transportation system can be seen from the fact that 20 million people travelled on it between August 1966 and January 1967, during the peak of the Cultural Revolution. At the average travelling distance of 1,200 miles per person, this amounts to 24 billion passenger miles. The railway-building skill of China is well established, and China is helping Tanzania and Zambia. The "Tamzam" railway, on which construction just began in November, is designed to link land-locked Zambia with Dar Es Salaam. The 1,600 km railway is the world's largest new railway, and China's biggest overseas aid commitment, costing about \$435 million in total. The Chinese are also building 9,225-mile railway between the capitals of Mali and Guinea.

All types of highways totalled 335,000 miles, connecting 98% of the nation's 2,000 counties. In view of the more



capital-intensive nature of railways, the government is shifting its construction efforts from railways to highways.

China has been expanding her shipping routes in Europe, Africa and the Americas. With increased production of ships in the 10-20 thousand ton class, Chinese shipping volume can be expected to expand rapidly. Typical of Chinese-built ships are those equipped with 8820 hp diesel engines which cruise at 17 knots for 40 days without interruption. Inland shipping is also very important: large ships of 400-500 tons displacement can navigate Chinese rivers.

By means of air transport, three international air routes link China with London, Paris and Moscow. Only about 50 Chinese cities are connected with internal air routes. However, China's vast expanse will in the future necessitate greater use of air transport facilities.

### C. Communications

China has a fairly well-developed telegraph system. Major cities are connected by telegraphic services, and all neighboring countries are accessible by wire. All together, there were 673 telegraph stations in 1960. In 1968, there were 8 million radio receivers, and in 1965 there were 12 main television stations and 30,000 receivers. China has about 70,000 post offices, and the number of telephones in use was 255 thousand in 1960.





## FOREIGN TRADE

### 1. Structure of Foreign Trade\*

Foreign trade is a state monopoly. The balance of trade was maintained on a strictly balanced basis. The emphasis in imports was shifted from consumers' goods to producers' goods, changing the pattern of imports drastically. In exports, the traditional pattern was also altered drastically; the emphasis was shifted from the export of raw materials to that of manufactures. There has also been a marked shift in the geographical pattern of China's trade: since 1960, the share of the Communist bloc in China's trade has declined steadily, following China's break with the Soviet Union.

These changes are reflected in trade statistics: during the 18 years 1950-1967, surplus in the balance of trade was recorded for eleven years. By 1968, the share of the Communist bloc in China's trade was at the lowest point of 21%, compared to 66.6% in the 1950s. Now, the largest suppliers of machines and equipment are Japan and West Germany, and the largest suppliers of wheat are Canada and Australia.

### 2. Analysis of China's Imports

As described in the section of China's industries, the governments' goal is to achieve maximum self-sufficiency. China therefore manufactures virtually all consumers' goods and limits their imports. The items with highest priority are raw materials, semi-manufactured goods, and capital equipment. The main imports are still chemical fertilizers, iron and steel, non ferrous metals, wheat, and base metals.

Total imports of foodstuffs amounted to over \$330 million in 1968, of which wheat accounted for \$260 million. In raw materials, the major items are: crude rubber: \$80 million; cotton fibre \$41 million; jute \$16 million; synthetic fibre \$13 million; and wool \$9 million.

Chemical imports amounted to \$260 million, mainly nitrogenous fertilizers (including urea). The breakdowns are: Nitrogenous fertilizers \$135 million; organic chemicals \$54 million; inorganic chemicals \$18 million; plastic materials \$18 million; dyestuffs \$9 million; and pharmaceuticals \$2 million.

\*Most of the data in this section are derived from the special supplement of Foreign Trade, October 1970.



Imports of machinery and transport equipment were \$105 million, of which: machine tools amounted to \$28 million; plastics machinery \$10 million; electrical machines and apparatus \$16 million; trucks \$8 million; aircraft and ships \$6 million. It is expected that machinery and transport equipment imports will exceed \$250 million in 1970.

Imports of manufactured goods, as a group were the largest, amounting to \$420 million. The largest items were: iron and steel and their products \$229 million; copper \$36 million; platinum \$34 million; synthetic fibres and yarns \$25 million; aluminum \$17 million; scientific instruments \$15 million; paper and paperboard \$9 million; nickel \$7 million; zinc \$5 million; cotton yarn \$5 million; and lead \$4 million.

### 3. Analysis of China's Exports

The bulk of China's exports consists of foodstuffs and light industrial products. Nearly 90% of China's 1968 exports consisted of food and raw materials produced by agriculture, fishing and mining industries. One of the significant aspects in China's exports was the increase in her exports of rice. Rice exports are made in order to take advantage of favorable terms of trade vis a vis wheat. Whereas the imports of wheat are declining steadily from 6.4 million tons in 1964 to 4.3 million tons in 1967, exports of rice doubled from 0.5 million tons to 1 million tons during the same period.

### 4. Canadian Trade with China

#### A. General

China imported unprecedented quantities of wheat from Canada in the early and mid 1960s, especially during the three successive years of calamity. Since then, Canada's wheat exports to China have steadily declined. On the other hand, Canada's imports from China have been rising steadily, from \$3 million in 1961 to \$27.4 million in 1969. Canada's exports to China in 1969 were \$122.4 million. In overall trade, China is the ninth largest trade partner for Canada, and Canada ranks seventh among China's trade partners.

#### B. Market Analysis

Canada exported \$122 million to China in 1969. The bulk of it was wheat, which amounted to \$117.5 million, or over 95%. However, China's vast demand for capital equipment and raw materials should provide excellent opportunities for





Canada's exports: while the Chinese need for imported wheat is diminishing, nevertheless there is an opportunity as well as a need to diversify Canada's exports to China. China's imports of capital equipment are chiefly from Japan, U.K. and West European countries, but there is no reason why Canadian manufacturers cannot compete successfully for China's import market.

China's imports from non-communist countries are probably in the neighbourhood of \$1,675 million, out of an estimated total (by the British Board of Trade), of \$1,933 million. Predominant items are wheat, chemicals (fertilizers), and iron and steel products. Japan accounted for \$418.9 million, West Germany \$161 million, the U.K. \$133 million, and Australia \$125 million. Canada ranks fifth as a supplier of imports to China.

China's demand for industrial products which includes ships, marine diesel engines, heavy machine tools and locomotives, is running ahead of her current supply. In addition to the special short term opportunity which this situation affords, the expected inauguration of a new long term economic plan may set a new commercial pattern which will predominate for some time. It seems particularly profitable to explore possibilities in the following categories:

1. Ships, ship's gear and dockyard machinery: due to an increase in chartered shipping, China is contemplating the establishment of her own merchant fleet by both importing ships and constructing them.
2. Machine tools: heavier, more sophisticated machines are likely to present additional market opportunities. In this field, Canada will meet with stiff competition from Japan, the U.K. and both East and West Europe.
3. Commercial vehicles: China recently bought several thousand heavy trucks and construction vehicles from France and Japan.
4. Locomotives and railway equipment: both diesel and electric locomotives are needed in large quantities. France and West Germany have just secured large orders.
5. Synthetic textile fibre and plastic raw materials for producing them: Japan has been the main source of supply, but Canada may be particularly successful in this field.
6. Textile machinery: again, this field is dominated by Japan. But the United Kingdom is readying itself for a contest to win a fair share of the market.
7. Mining machinery and processing equipment for non-ferrous metals.





8. Above all, China is interested in purchasing complete industrial plants. Between 1962 and 1966, China bought over 25 complete plants from Japan, Italy, Germany, the U.K. and Belgium. These plants amounting to over \$250 million, are mainly in the fields of fertilizer and plastic manufacturing. There are very strong indications that bids for contracts on pipelines linking the interior with coastal cities are forthcoming. Metallurgical plants also offer a very promising market.
9. Agricultural machinery: China is domestically producing tractors and grain threshers, which were unheard of before the Revolution in 1949. Still, there are shortages of agricultural machineries, such as harvesting equipment, adjustable mouldboard plows, disc harrows, spike tooth harrows, land levellers, power tillers, seed and fertilizer drills, crop planters, fertilizer spreaders, weeders, row crop cultivators, combines with maize picking head, grain dryers, and rotary choppers.
10. Livestock farming equipment.
11. Food processing and packaging equipment, mainly used by China's export industries.

### C. Ontario Exports to China

Ontario exported only \$172.6 thousand in 1968 and \$85.2 thousand in 1969. This negligible amount of exports does not indicate any lack of market opportunity in China. China's need for capital equipment and raw materials affords a large market for Ontario exporters of these items.

Apart from the commodities enumerated in the previous section, there are a number of commodities for which Ontario may find profitable markets in China. During the past two years, according to the Federal Department of Industry, Trade and Commerce, the Chinese have expressed interest in a wide variety of Canadian products, including scientific equipment, medical equipment, specialized machineries for industrial use, wood pulp, specialty papers, paperboard, industrial chemicals, zinc, aluminum, nickel, copper, copper and brass products, scrap metals, synthetic rubber, fibres and yarns, optical equipment, jade, tallow, and numerous other commodities.



## CHINESE ECONOMIC AND TRADE POLICY

### 1. Economic Plans

China's First Five-Year Plan (1953-57) is regarded as being a remarkable success. Estimates of annual growth in gross national product for the plan period range from the high rate of 9% claimed by the Communist Government to the low of 6.2% given by an American professor currently holding key posts in the Nationalist Government in Taiwan. (See U.S. Senate Joint Economic Committee op. cit. pp. 51-52). Nevertheless, the success seems to have been universally acknowledged.

The Second Five-Year Plan, (1958-62), on the other hand, is generally regarded as a serious failure, virtually cancelling out all the gains made during the First Five-Year Plan. Principal causes of the setbacks are attributed by the Chinese Government to the 3 successive years of natural calamities in 1959-61, and by critical observers in the West to the chaos created by the Great Leap Forward. What actually happened was perhaps an unfortunate combination of both of these factors.

Three precarious years of economic recovery followed before the Third Five-Year Plan was launched at last, in 1966. Hardly any details about the plan were made known, but fragmented reports reaching the West suggest that the annual growth rate projected in the current plan is moderate compared with the two previous plans. One source implies that the rate will be as low as 5 to 7% a year.

There is no information available concerning the Fourth Plan. However, the Plan, when inaugurated, can be expected to place emphasis on self sufficiency in vital commodities such as food, clothing and key industrial products. Trade will likely remain marginal, with sizeable possibilities in capital equipment and raw materials imports.

### 2. Trade Policies

As noted in previous sections, China has been producing a substantially wide range of machinery, equipment, fertilizers and other chemicals. However, her own technological resources and production capacities are still limited, and as a short cut, the country has been importing turn-key plants and production technology as well as individual machinery and equipment. However, joint ventures with foreign enterprises are entirely inconceivable.

In spite of the stringency in foreign exchange management, China has enjoyed a reputation as an excellent credit risk





in the international trading community, always living up to her financial obligations and even repaying the huge Soviet loans years before the terms expired. Domestic prices have been held stable by means of regulating consumption, and the exchange rate of its currency has been stabilized at a rate of 2.46 Yuan to US\$1.00.

China's International Financial Resources,  
Year-end Balances, 1957 and 1960-64

(In Millions of U.S. dollars)

	<u>1957</u>	<u>1960</u>	<u>1962</u>	<u>1964</u>
Foreign exchange reserves	645	415	320	400
Foreign currency balances	610	300	155	185
Monetary gold holdings	35	115	165	215
Clearing account balances (with Communist countries)	-360	-625	-205	-55
Net international financial resources	285	-210	115	345

Source: Appendix submitted by Central Intelligence Agency, U.S. Senate Joint Economic Committee "An Economic Profile of Mainland China" p.629.

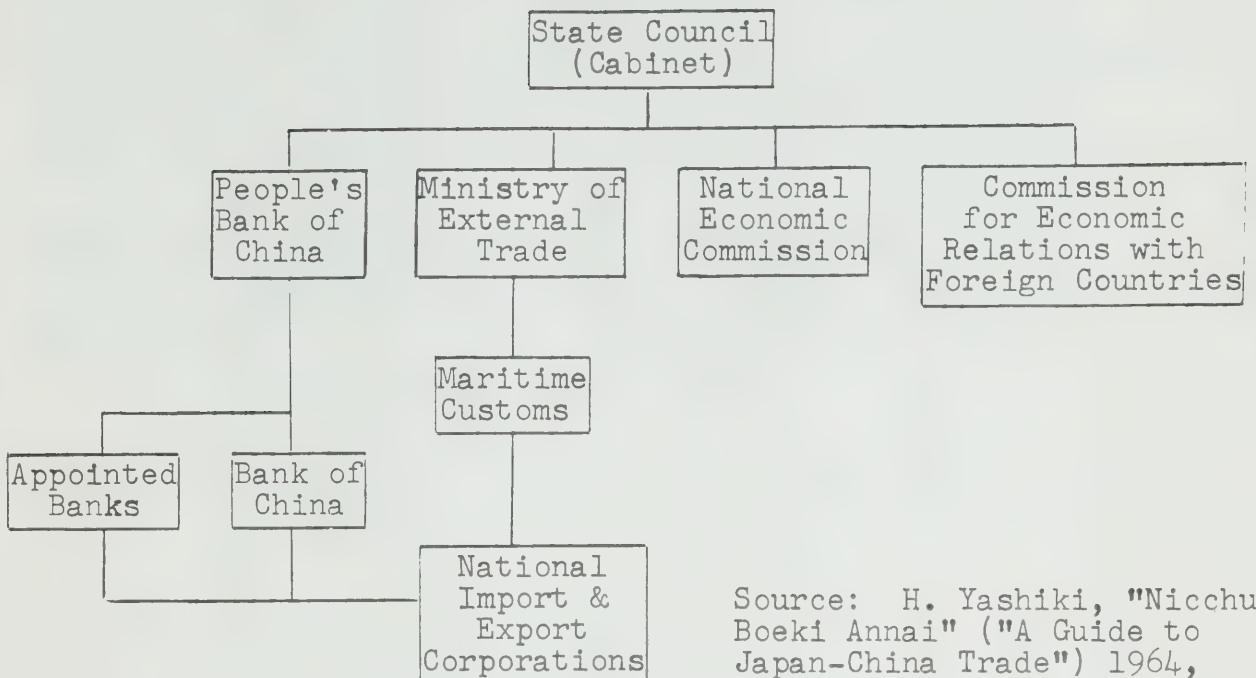
According to data collected by the Central Intelligence Agency and submitted to the U.S. Senate Joint Economic Committee, China bought from Japan and Western Europe more than \$250 million worth of whole plants between 1962 and 1966. They included plants for the manufacture of various types of fertilizers and synthetic fibres, petroleum refinery, palm oil processing, air liquefaction, precision measuring instruments, oil hydraulic equipment, glass, condensers, and steel. Japan and West Germany led the list of her suppliers, followed by Britain, Italy, Sweden, Netherlands, France, Austria and Finland.

### 3. Trade Organization

Foreign trade is a state monopoly conducted through 12 National Import and Export Corporations. The name of major trade corporation and the commodities handled are listed in the Appendix. Besides these, there are 2 national corporations undertaking the auxiliary functions of shipping agency and ship chartering. Hua Run Company, the Hong Kong agent for all these national corporations, is located in the Bank of China Building, Hong Kong.

According to a Japanese source of information, the organizational chart of China's foreign trade can be outlined as follows:





Apart from this official setup, there exists a semi-official Council for International Trade Promotion, which sponsors Chinese trade fairs abroad, gives assistance to foreign trade fairs in China, invites foreign missions and undertakes research of foreign markets and foreign products. While trade agreements between governments are signed by the Ministry of External Trade, those concluded with non-governmental foreign parties are signed by this Council. The council plays a key role in conducting transactions with those countries which have no diplomatic relations with China.

Foreign businessmen who have negotiated trade with the national trade corporations are often baffled by the way they conduct business. The corporations do not import for stock on their account but merely make procurements for the ultimate users, whose needs are in turn predetermined by the investment policies of the state. Some Canadian businessmen noticed that a national trade company tends to show reluctance towards a foreigner whose sole purpose is to sell. They point out that even a hint of possible purchase from China will make the selling effort much easier. (For practical step-to-step approach to the Chinese market, see Appendix "How to Sell in Mainland China" by R.G. Godson, Canadian Trade Commissioner, Hong Kong, from "Foreign Trade", September 14, 1968, and Foreign Trade, Special Supplement on China, October 1970).



Twice a year, the China Export Commodities Fair is held in Canton, for one month, starting normally on April 15 and October 15. The opportunities provided by the fair are not only for prospective foreign buyers who wish to negotiate the purchase of Chinese commodities, but also for foreign manufacturers wishing to sell their machinery, equipment, fertilizers, steel and other capital goods.

Thousands of foreign businessmen from Japan and Western Europe flock to the fair ground and multimillion dollar deals are closed each season. Canadian news correspondents at previous fairs have noted only a trickle of visitors from Canada.





## China's Foreign Trade Corporations

### Their Principal Exports and Imports

**China National Cereals, Oils and Foodstuffs Import and Export Corporation**

82 Tung An Men Street, Peking

Cable: CEROILFOOD PEKING

Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oil seeds, seeds, oil cakes, feedingstuffs, salt, edible livestock and poultry, meat and meat products, eggs and egg products, fresh fruits and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors, spirits of various kinds, dairy products, vegetables and condiments, bean flour noodles, grain products, canned goods, nuts and dried vegetables, etc.

**China National Native Produce and Animal By-Products Import and Export Corporation**

82 Tung An Men Street, Peking

Cable: CHINATUHSU PEKING

Tea, coffee, cocoa, tobacco, bast fiber, rosin, feedingstuffs, timber, forest products, spices, essential oils, patent medicines and medicinal herbs, as well as other native produce, bristles, horse tails, feathers, down, feathers for decorative use, rabbit hair, wool, cashmere, camel hair, casings, hides, leathers, fur mattress, fur products, carpets, down products, living animals, etc.

**China National Light Industrial Products Import and Export Corporation**

82 Tung An Men Street, Peking

Cable: INDUSTRY PEKING

Paper, general merchandise, stationery, musical instruments, sporting goods, toys, building materials and electrical appliances, fish nets, net yarns, leather shoes, leather products, pottery and porcelain, human hair, pearls, precious stones and jewellery, ivory and jade carvings, lacquer ware, plaited articles, furniture, artistic handicrafts and other handicrafts for daily use, etc.

**China National Textiles Import and Export Corporation**

82 Tung An Men Street, Peking

Cable: CHINATEX PEKING

Cotton, cotton yarns, raw silk, steam filature, wool tops, rayon fibers, synthetic and

man-made fibers, cotton piecegoods, woolen piece-goods, linen, garments and wearing apparel, knitted goods, cotton and woollen manufactured goods, ready-made silk articles, drawn works, etc.

**China National Chemicals Import and Export Corporation**

Erh Li Kou, Hsi Chiao, Peking

Cable: SINOCHEM PEKING

Rubber, rubber tires and other rubber products, petroleum and petroleum products, chemical fertilizers, insecticides and fungicides, pharmaceuticals, medical apparatus, chemical raw materials, dyestuffs, pigments, etc.

**China National Machinery Import and Export Corporation**

Erh Li Kou, Hsi Chiao, Peking

Cable: MACHIMPEX PEKING

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, stream turbines, boilers, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport machinery (motor vehicles) and parts thereof, vessels, etc., agricultural machinery and implements, printing machines, knitting machines, building machinery, machinery for other light industries, ball and roller bearings, tungsten carbide, electric machinery and equipment, telecommunication equipment, electric and electronic measuring instruments, scientific instruments, complete industrial plants, technical knowhow, etc.

**China National Metals and Minerals Import and Export Corporation**

Erh Li Kou, Hsi Chiao, Peking

Cable: MINMETALS PEKING

Steel plates, sheets and pipes, steel sections, steel tubes, special steel, railway materials, metallic products, pig iron, ferro-alloys, non-ferrous metals, precious rare metals, ferrous mineral ores, non-ferrous mineral ores, non-metallic minerals and products thereof, coal, cement, hardware, etc.



APPENDIX B

Chinese Imports*				
(US\$ Millions)				
	1966	1967	1968	1969
Non-Communist	1,530	1,605	1,480	1,500
Communist	505	340	340	325
<b>Total:</b>	<b>2,035</b>	<b>1,945</b>	<b>1,820</b>	<b>1,825</b>
Includes:				
Foodstuffs	510	380	410	360
of which:				
Wheat	330	260	260	295
Chemicals	250	285	315	295
of which:				
Fertilizers	150	200	200	180
Manufactures	910	940	775	810
of which:				
Iron and Steel	225	325	265	310
Machinery and equipment	490	380	275	250
Non-ferrous metals ( <i>including platinum</i> )	55	85	125	160
Textile yarn and fabrics	35	45	40	30
Crude Materials, Fuel and Edible Oils	340	320	300	330
of which:				
Rubber	85	70	80	120
Textile fibers	150	150	100	90
Other	25	20	20	30

\* The 1966-68 totals are from official U.S. Government sources and are adjusted for shipping and lead and lag time. The 1969 totals for non-Communist trade are based upon data from the PRC's 12 major non-Communist trading partners. These totals are adjusted for shipping costs, but not for lead and lag time.





APPENDIX C

**Chinese Exports\***

(US\$ Millions)

	1966	1967	1968	1969
<b>Non-Communist</b>	<b>1,575</b>	<b>1,455</b>	<b>1,430</b>	<b>1,600</b>
<b>Communist</b>	<b>595</b>	<b>460</b>	<b>460</b>	<b>460</b>
<b>Total:</b>	<b>2,170</b>	<b>1,915</b>	<b>1,890</b>	<b>2,060</b>
 Includes:				
Foodstuffs	595	505	525	580
of which:				
Animals, meat and fish	225	170	175	210
Grains	150	140	125	90
Fruit and vegetables	115	125	140	155
Manufactures	900	830	815	835
of which:				
Textile yarn and fabrics	280	245	260	280
Clothing	190	160	170	185
Iron and steel	90	70	25	15
Non-ferrous metals	40	35	25	10
Crude Materials, Fuels, and Edible Oils	480	435	405	470
of which:				
Textile fibers	105	100	90	130
Crude animal materials	90	75	95	110
Oil seeds	90	90	85	90
Chemicals	90	85	85	90
Other	105	60	60	75

---

\* Commodity figures for 1969 are estimates based upon most recent data and upon previous patterns. For 1966 through 1968, figures are drawn from the U.S. Department of Commerce Country-by-Commodity Series, and other Government sources.



## APPENDIX D

### **How to Sell in Mainland China**

The procedure outlined below only seems complicated. Exporters should consider cultivation of the Chinese market as a long-term project, the final results of which can be very worthwhile.

- **Select the foreign trade corporation** which handles your line of products from the list opposite.
- **Write directly** to the Corporation's head office in Peking, introducing your firm and the products you have for export. Refer to the country only as "China" or "People's Republic of China". Any quotations should be in Canadian dollars or pounds sterling. Do not quote in U.S. currency or refer to U. S. standards.
- **Enclose at least four sets of descriptive material**, specifications, samples, literature, etc., for distribution by the Corporation to selected end-users in China.
- **Forward copy of initial approach** to our Trade Commissioner in Hong Kong, for follow-up with the Corporation's authorized representatives in Hong Kong.
- **Send an acknowledgment** with a further request for information. This indicates interest. No reply usually indicates that the Corporation is not interested at the present time. Our Trade Commissioner will obtain information on market potential should you not receive a direct reply.
- **Repeat your initial offer** at regular intervals, perhaps once every four or five months. As well as the head office in Peking, offers can be sent to the Corporation's many branch offices throughout China. These addresses are obtainable from our Trade Commissioner in Hong Kong, or from the Asia and Middle East Division of the Department of Trade and Commerce in Ottawa.
- **Keep our Trade Commissioner in Hong Kong advised**—this will enable him to follow up on your behalf during his periodic visits to China and meetings with the Corporation's representatives in Hong Kong.
- **Try personal negotiation** if the Chinese are interested. Invitations to visit officials of the Corporation either in Peking or at branch offices in Shanghai or other centers, or to meet during the Canton Fair (held twice each year) are readily forthcoming to firms with which China wishes to do business.
- **Hold discussions with trading corporation officials**—these will be thorough and protracted. Any contracts signed will be meticulously honoured.
- **Appoint a firm** which has experience and is negotiating regularly with the Chinese corporations, should you not be in a position to carry on negotiations yourself. Our Trade Commissioner in Hong Kong can make such inquiries on your behalf.

Source: "Foreign Trade" September 14, 1968  
Ottawa p.20







